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TAGS: PREL EPET ENRG SOCI UY

SUBJECT: MINISTER'S TOUGH TALK ON PAPER MILL DISPUTE,
ARGENTINA AND BOLIVIAN GAS

REF: A. MONTEVIDEO 00154
1B. MONTEVIDEO 00149

Classified By: Charge D'Affaires James D. Nealon
for reasons 1.4 (B) and (D)

¶1. (C) Summary: During a meeting with Charge to discuss upcoming visits to the U.S. (ref A), Industry Minister Jorge Lepra commented that Uruguay is searching for international support in its dispute with Argentina over the construction of giant paper mills on a shared river (ref B). He added that lack of confidence in Argentina has prompted the GOU to try and access Bolivia's gas reserves via the existing pipelines through Brazil. Lepra was also harshly critical of the Peronists and their historical attitude towards Uruguay. End Summary.

¶2. (C) On February 14, Industry Minister Jorge Lepra met with the Charge to discuss upcoming visits to the US, including a Vazquez-POTUS meeting on May 1. Lepra explained the "seriousness" with which the GOU views the paper mill dispute with Argentina and asked him for suggestions of who might be able to assist in resolving it. Referring to the GOA as "the worst face of the Peronist party" and the "piqueteros" as "fascists", he said "a brother slapping another in the face needs a big uncle to put a stop to it." Lepra was pessimistic that either the OAS or the World Bank were capable of resolving the issue. Visiting Spanish ForMin Miguel Angel Moratinos has offered to ForMin Gargano to mediate the dispute (one of the two plants in question is Spanish). Incidentally, Lepra was quite dismissive of Gargano, as being "completely out-of-the-loop."

¶3. (C) Lepra said the GOU was convinced that Argentina was capable of withholding natural gas supplies to Uruguay despite Mercosur and other arrangements. Therefore, the GOU was considering the purchase of Bolivian natural gas routed through Brazil, in order to satisfy Uruguay's energy needs. He said that President Vazquez would visit La Paz on March 13 (after he attends Chilean President-elect Michelle Bachelet's inauguration in Santiago) to meet with Bolivia's President Evo Morales. In return for a gas deal, Lepra said the GOU would lend Bolivia support in its quest for an access to the Pacific Ocean through Chile and offer it port facilities at Nueva Palmira on the Uruguay river for Atlantic commerce.

"Of course, the price of Bolivian gas is the big question", he noted.

¶4. (C) Comment: Lepra is well and favorably known to the Embassy and is a staunch ally of the US. We were somewhat surprised at his harsh assessment of the "justicialist" GOA ,which he considers to be more "brown shirt" than "leftist". He recalled the days when Juan Domingo Peron had banned Uruguayans from entering Argentina during the 1950s. End Comment.

Nealon